JM BUSHA
Investment Group

Absolutely Positive Performance

Quarterly Bulletin 2016 Q2

"THE BREXIT SHOCK"

"***When the first primitive man decided to use a bone for a club instead of eating its marrow, that was an investment***"

-Anonymous-

Invest wisely.

JM BUSHA Investment Group

Market Performance Summary-Year to Date								
Equity Indices	**Spot**	**%Change**	**JSE Top Gainers**	**Spot(c)**	**%Change**	**JSE Top Losers**	**Spot (c)**	**%Change**
JSE All Share	52217.72	3.01%	Harmony Gold	5247	236.4%	PPC Ltd	800	-48.1%
JSE Resources	30301.78	19.32%	Assore	18001	189.9%	Capital and Counties Prop	5791	-43.5%
JSE Financials	14714.52	-3.42%	Kumba Iron Ore	111	169.4%	Mpact	2986	-36.4%
JSE Industrials	70949.48	-1.12%	AngloGold Ashanti	26759	151.8%	Afrimat	1912	-35.2%
Namibia (NSX)	979.02	13.12%	Sibanye	5012	119.3%	Curro	38.91	-31.5%
Zambia (LUSE)	4753.24	-17.11%	Pan African Resources	375	114.3%	Net One UEPS	14497	-29.6%
Zimbabwe (ZSE)	101.17	-11.45%	African Rainbow	9200	111.7%	Finbond	300	-25.3%
Dow Jones	17929.99	2.90%	Anglo American PLC	14100	104.4%	Metair	2039	-24.8%
S&P 500	2098.86	2.69%	Lonmin	3731	103.9%	Grand Parade Investments	350	-24.2%
Nasdaq	4842.67	-3.29%	Anglo Platinum	36727	98.2%	CFR Richemont	8473	-24.1%
FTSE 100	6504.33	4.20%	Impala Platinum	5215	88.5%	Nampak	1871	-23.3%
German DAX	9680.09	-5.87%	Goldfields Ltd	8126	68.9%	INTU Properties	5001	-23.2%
French CAC	4237.48	-8.62%	Royal Bafokeng	5061	65.9%	Redefine International	789	-23.0%
Nikkei 225	15575.92	-15.58%	Northam Platinum	4600	62.9%	Choppies Enterprise	495	-22.0%
Shanghai	2929.61	-17.22%	Exxaro Resources	6658	53.2%	MAS Real Estate Inc	2024	-21.4%
Hang Seng	20794.37	-5.11%						
ASX	3515.45	2.07%						
Bond Yields	**Spot**	**%Change**	**Currencies**	**Spot**	**%Change**	**Commodities**	**Spot**	**%Change**
SAGB 2 Year	7.51	-1.03%	R/$	14.72	-4.80%	Gold ($/oz)	1321.9	24.6%
SAGB 5 Year	8.28	-1.15%	R/€	16.33	-2.87%	Platinum ($/oz)	1024.40	14.9%
SAGB 10 Year	8.82	-0.94%	€/$	0.9	-2.27%	Palladium($/oz)	599.72	6.5%
SAGB 30 Year	9.61	-0.79%	¥/$	103.2	-14.16%	Silver ($/oz)	18.71	35.1%
US 10 Y	1.47	-0.80%	Pula	10.88	-3.05%	Brent Crude ($/Barrel)	49.68	33.3%
US 30 Y	2.29	-0.73%	Kenya	101.1	-1.17%	Copper ($/ton)	4845.00	3.0%
UK 10 Y	0.87	-1.09%	Kwacha	10.4	-5.45%	Alluminuim ($/ton)	1649.00	9.4%
German 10 Year	-0.13	-0.72%	Naira	280.5	40.75%	Iron Ore ($/ton)	55.66	27.8%

Source: Bloomberg

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Top 10 JSE Equity Buys 2016			
	Share Code	Entry Price	Target Price
1	TSH	23	35
2	IPL	121	180
3	INL	103	129
4	SLM	58	70
5	FSR	42	51
6	OML	38	46
7	CPI	481	565
8	NED	187	211
9	MDC	121	135
10	BGA	144	160
	Prices in SA Rands		

JM BUSHA FUND RETURNS	
Fund Name	**5 Years**
Cash Plus	6.35%
Bond Plus	8.18%
Real Return	9.21%
Absolute All Class	11.57%
Absolute Aggressive	10.67%
**Diversified Equity	14.30%
Communities Fund	8.66%
Global Investor	N/A
*Afro Fund	
*Same as Real Return	
**4 Year Return	

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Portfolio Manager, Byran Taljaard takes us through the outcome of the British Referendum on exiting the EU.

Going against most expectations, Britain voted to leave the EU. The outcome has led to increased volatility in global financial markets with heightened concern around the impact on global growth and growth in the UK over the next two years. In response, central banks have come out pledging to support and stabilize the financial markets and most market commentators now expect the Fed to keep rates unchanged for the remainder of the year. The Bank of England has relaxed some banking and insurance regulations to reduce the impact on lending and reduce the need by financial institutions to sell corporate bonds in response to regulatory capital requirements.

The referendum result has left us with many questions and uncertainties:

What is the economic impact?

Although the longer-term impact is largely unknown, in the short-term most economists agree the UK is likely to go into recession. The GBP has weakened sharply to all major currencies and the GBPUSD has been trading consistently at new lows. Yields on UK bonds have also fallen to record lows, reflecting the market's expectations of lower growth and increased central bank stimulus.

The key concern for market participants is access to the EU single market. EU exports account for 40% of the UK's total exports and EU FDI into the UK accounts for 53% of total FDI into the UK. The UK runs a trade deficit with the EU, meaning it exports more to the EU than it imports. This means it is imperative to both sides to negotiate a trade agreement.

The structure of this trade agreement is problematic. The EU is unlikely to provide Britain with favorable access to the single market unless Britain adheres to some regulations, among which the freedom of movement is expected to be paramount. However, overbearing EU regulations and in particular immigration and limiting the freedom of movement was a key point for the leave campaign. This could lead to an impasse and hamper any trade negotiations.

On a positive note, a weaker GBP may benefit the British economy particularly exporters. There are already reports of some investors looking to take advantage of the weaker currency by increasing their stakes in businesses (for example Fosun increasing its stake in Thomas Cook) and there are reports that Chinese and US tourists have increased in the wake of the currency fall.

Who leads Britain?

The Brexit result has led to a political mess in the UK. Prime Minister David Cameron has decided to step down, believing that he would not be the right person to lead Brexit negotiations. This left Boris Johnson (a key leave campaigner) as the favorite to replace him. However, it seems Michael Gove's decision not to back Johnson (Gove was another key leave campaigner and Johnson supporter) left him with little support and led him to withdraw. Instead Gove threw his own name into the hat.

However, Home Secretary Theresa May who topped the first round of voting was the favorite and will be the one to succeed David Cameron. Theresa who will become Britain's second female prime minister has vowed to forge a new role for Britain outside the EU.

May has indicated that she regards the Brexit referendum result as final, and she would not be in favor of a second referendum nor in favor of ignoring the result (which is still legally possible). Party insiders feel that May will lead to more unity in the party (May was a remain campaigner, albeit less vigorously).

The opposition Labour Party leader Jeremy Corbyn has also come under huge pressure to step down given his near complete silence during the Remain campaign.

The future of the EU

The referendum brings into question the future of the EU and its structure. The debate is highly politicized with two camps; those who want to press for further EU integration and those who want to press for less EU integration. A key showdown seems to be brewing between German Chancellor Angela Merkel and other heads of states who want "less Europe" and the President of the European Commission Jean-Claude Juncker and Parliament President Martin Schulz who want "more Europe".

It's important to bear in mind that the UK is a key trading partner to Germany. The Brexit negotiations and resulting trade agreements are important to Germany. Given its economic size and influence in the EU, Germany through its Chancellor becomes a king maker or breaker.

There is a growing belief in Germany that Juncker is a part of the problem and that his immediate call for greater European integration and consolidation of power in Brussels (rather than at member states) and his general antagonizing approach to Britain has hindered the remain campaign and is playing into the hands of Eurosceptics.

Although Germany is not in favour of severe treatment of Britain, the Chancellor has also categorically stated that no secret negotiations are to be held on Brexit in the meantime. Germany's stance is that any negotiations on leaving the EU can only begin when Britain formally requests to leave the union. Upon this request Britain and the EU would have only two years to negotiate, with the deadline only extended by agreement among all member states.

This deadline would put pressure on Britain and it seems as though France would veto any extension in the deadline as Prime Minister Hollande has been keen to get negotiations underway as soon as possible. This is both in an effort to deter any other thoughts among member states on leaving but also to remove Britain from the EU as soon as possible to increase France's own power in the bloc. Hollande is generally in favour of "more Europe", something Germany is wary may result in France increasing its debt levels in the knowledge that such debt would de facto be underwritten by the EU as a whole.

The Brexit negotiations are going to be key to determining the future structure of the EU. The choice will be either more power to be consolidated away from member states towards Brussels or more power is decentralized and returned to individual member governments.

The future of the United Kingdom

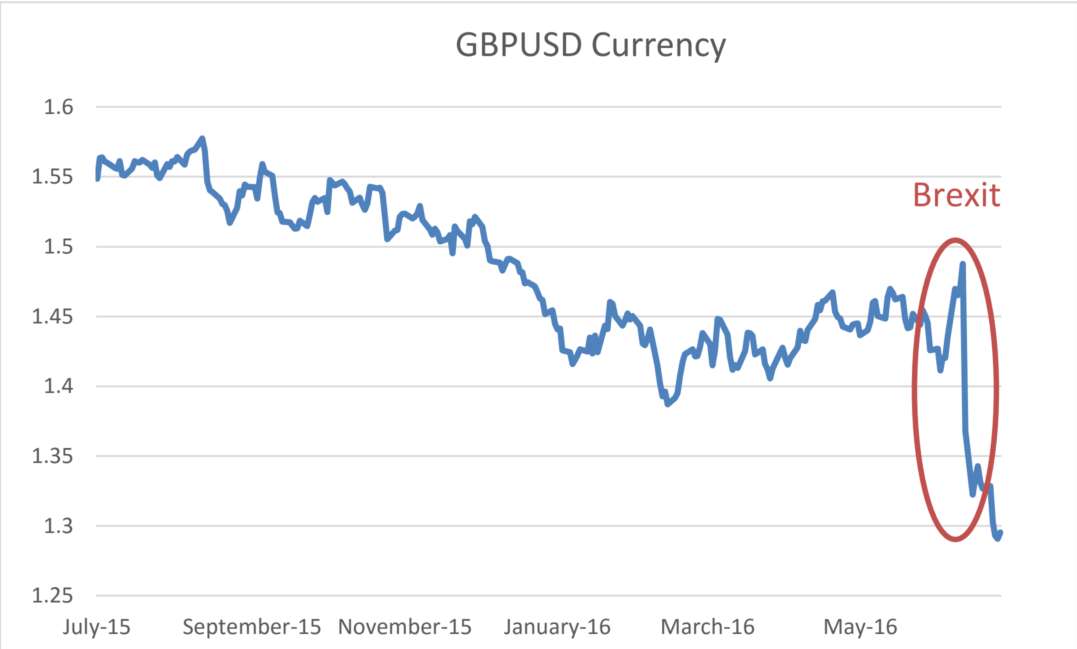
Although the margin of victory was slim, there was a distinct geographical split in the vote. While Scotland, Northern Ireland and London voted overwhelmingly to stay, the rest of England and Wales voted overwhelmingly in favour of leaving.

Scotland have recently voted to remain in the UK following a referendum in 2014. Nicola Sturgeon (the Scottish First Minister) immediately called for a second referendum on the question of UK membership following the Brexit result. Sturgeon went as far as travelling to Brussels and meeting with the President of the European Commission Jean-Claude Juncker, to discuss Scotland protecting its EU status.

It seems for now though that this plan has been scuppered, partly by Spain (who said it would veto any such move) and it is also believed that Merkel, who is hoping to keep negotiations with Britain as civil as possible, is against the move. Some Scottish MPs have also come out urging Sturgeon to work with Britain.

The concern, however, is that Scotland could hold another referendum on its membership in the UK given the Brexit result. Given the stark contrast in Scotland's Brexit vote (which was significantly in favour of staying in the EU) there is a not insignificant chance of Scotland voting to leave the UK.

Northern Ireland poses another problem. Ireland is part of the EU and has relied heavily on ECB support for its own economic and debt crises. Given EU free movement regulations, there are no proper border regulations between Northern Ireland and Ireland. The fear is that a Brexit would result in a scrapping of the EU free movement regulations and result in border restrictions between the two. This has resulted in concerns that this may herald a return to the violence of the past.



Source: Bloomberg

JM BUSHA Investment Group

Investment Analyst, Charne` Adams gives us insights on capital allocation from within the resources sector.

Resource shares have continued to be the standout performers this quarter. Kumba Iron Ore, AngloGold, Lonmin and Anglo American all gained between 20-40%, despite the initial sharp decrease in prices following Brexit. Oil price volatility notwithstanding, the other drivers of resource outperformance are linked to higher commodity prices resulting from decreasing supply due to production cuts, mine closures and the cost-cutting behavior that is increasingly being adopted by companies in the sector.

Historically mining companies have often engaged in poor allocation of their capital, usually as a result of assuming that periods of high profits will continue indefinitely. When commodity prices and mining companies' share prices are increasing rapidly, companies tend to expand their capacity to take advantage of these elevated prices, often overpaying for assets and destroying value. Bringing new mines into operation is highly capital intensive and can take a number of years to complete. As a result, large expansion projects are often completed after the cycle has peaked. This results in excess supply in the market and puts further downward pressure on already decreasing commodity prices.

Ideally companies would take a countercyclical approach to capital allocation. However, knowing that competitors are likely to add capacity, companies are compelled to invest pro-cyclically to prevent competitors taking their market share. This can be seen in the iron ore market with BHP Billiton, Rio Tinto and Vale, all of which have been increasing output as improved efficiency, the lower oil price and freight rates have allowed them to decrease their unit costs and still make a profit, despite subdued iron ore prices.

Below we look at two companies, Assore and Anglo American, and use them to illustrate how different approaches to capital allocation by management impact shareholder returns.

Assore

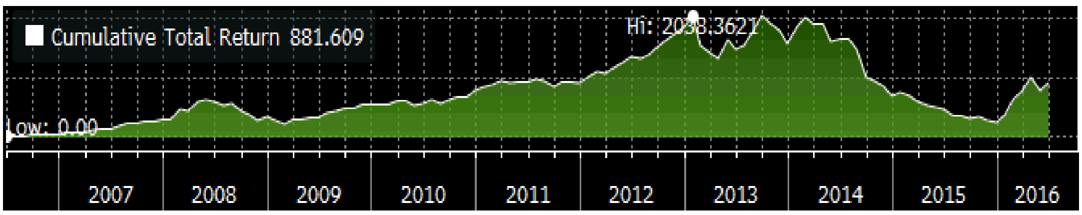
Over the past ten years, Assore's capital allocation has been sound. We see from the graph that share repurchases were done at relatively low prices. Expansion in 2009 was carried out after a decline from mid-2008 highs and turned out to be very well timed as this period was the beginning of a strong upswing that persisted until late 2012. Assore's largest allocation of capital was buying out minorities in Assmang to form a 50/50 joint venture with African Rainbow Minerals in 2006 for R386m, which valued Assmang at R9.2bn. Further counter cyclical behavior appears to be seen when Assore purchased Dwarsrivier Chrome Mine near the bottom of the cycle in 2015. In addition, Assore has consistently paid dividends.

The sensible way in which capital has been allocated is evidenced by the return on invested capital history. Although currently significantly lower than historical performance, the returns are comparatively better than many other resource company peers, which are facing negative returns.

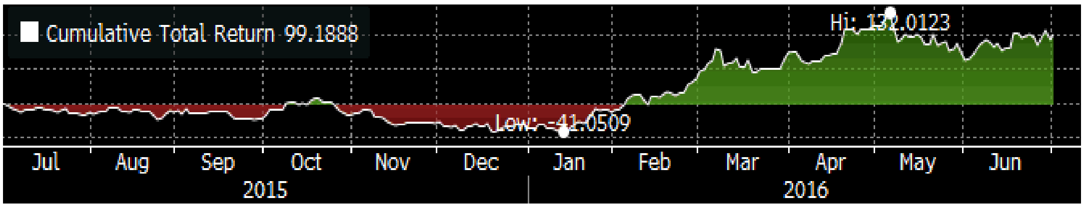
12 Months Ending 30 June	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Return on Common Equity	34,56	36,72	27,16	25,56	7,99
Return on Assets	23,57	24,87	20,44	22,87	7,30
Return on Invested Capital	26,41	26,13	22,13	23,42	6,95

Assuming that you held Assore for the entire period, the one year total return earned would have been 90%. Over a five year period, the annualized return would have been negative at -3%. However, the cumulative return over ten years would have been 650%, resulting in a 22% annualized return.

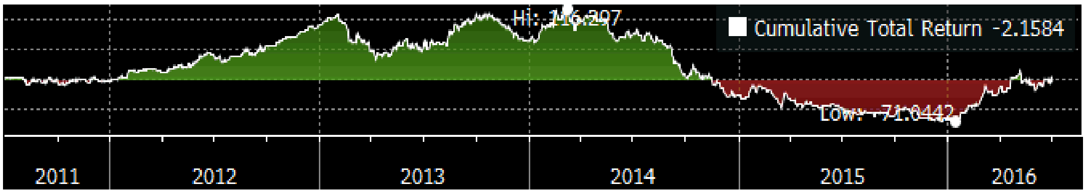
1 Year Holding Period



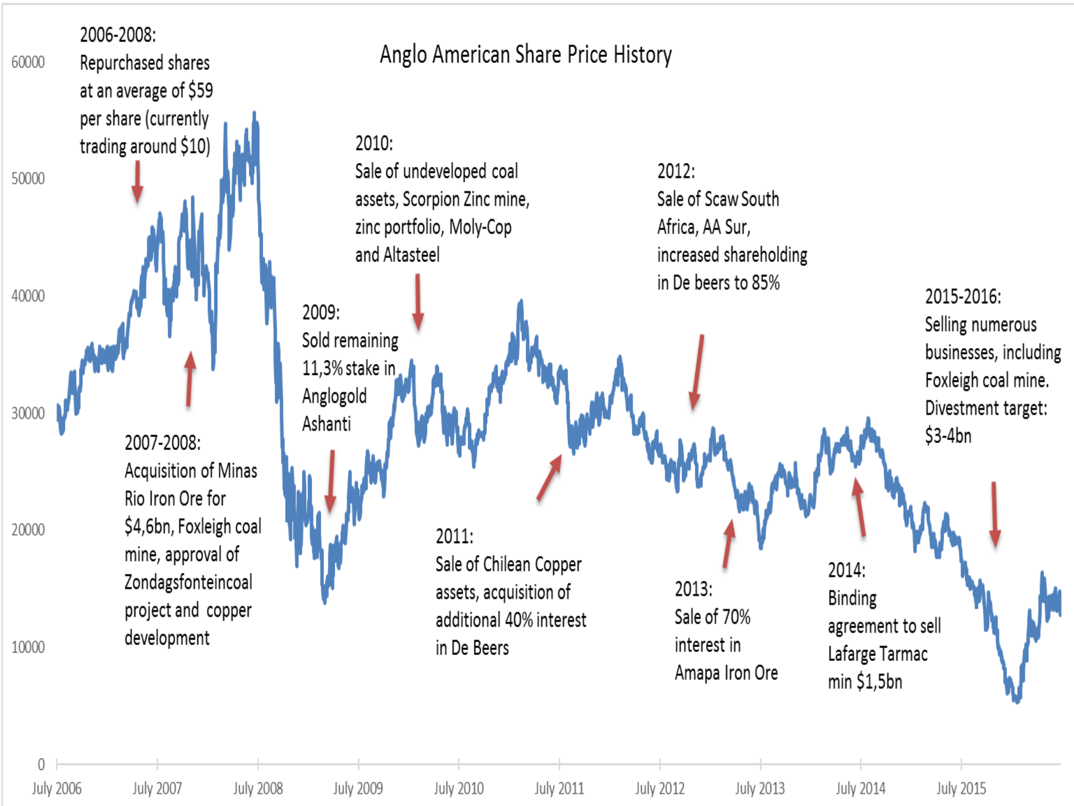
5 Year Holding Period



10 Year Holding Period



Anglo American



Source: Bloomberg

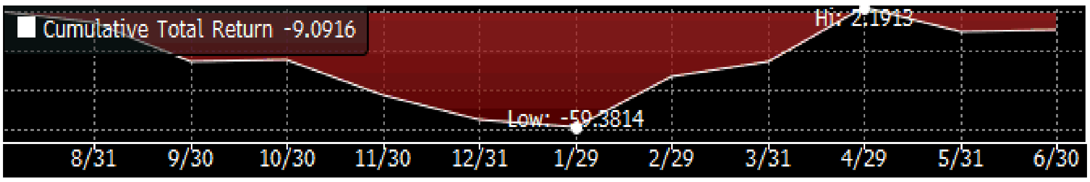
Anglo American, on the other hand, has a history of poor capital allocation. Between 2006 and 2008 they repurchased shares as the share price approached its peak, more than double what the share is currently trading at. Acquisitions have also not been a strong suit. In the highs of 2007 and 2008, Anglo bought Foxleigh Coal Mine and is selling at today's lows. Minas Rio was also purchased in 2007 for $4.6 billion and has subsequently been written down twice, for over $8 billion in total. Returns have suffered and now, to raise funds and counteract the previous poor allocations of capital, Anglo is in the process of selling its non-core assets at the bottom of the cycle with a divestment target of $3-4bn. Dividends were cut in 2008,2009 and 2015 to preserve cash.

In the current tough commodity environment, Anglo has earned negative returns on its invested capital, and has not managed to make returns greater than its cost of capital for the last several years.

12 Months Ending 30 June	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Return on Common Equity	16,83	-3,83	-2,77	-8,65	-26,17
Return on Assets	8,87	-1,94	-1,28	-3,66	-9,53
Return on Invested Capital	12,54	-2,01	1,56	-1,48	-9,59

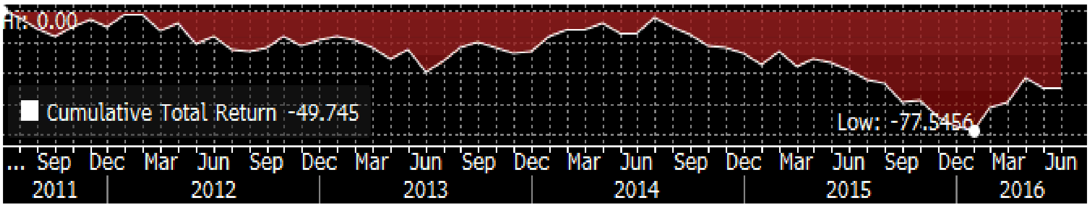
Although money could have been made in the interim periods, holding Anglo over one, five and ten year periods would have resulted in negative annualized returns of -55%, -16% and -7%, respectively.

1 Year Holding Period

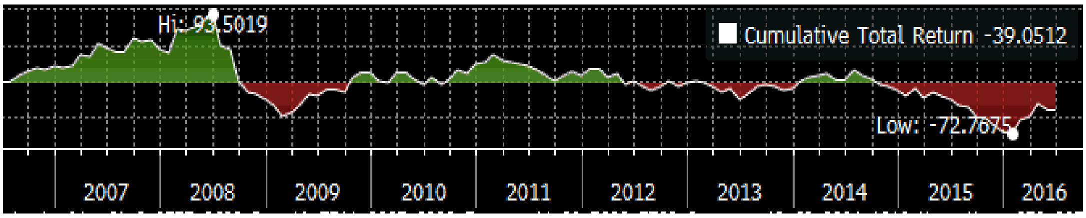


Source: Bloomberg

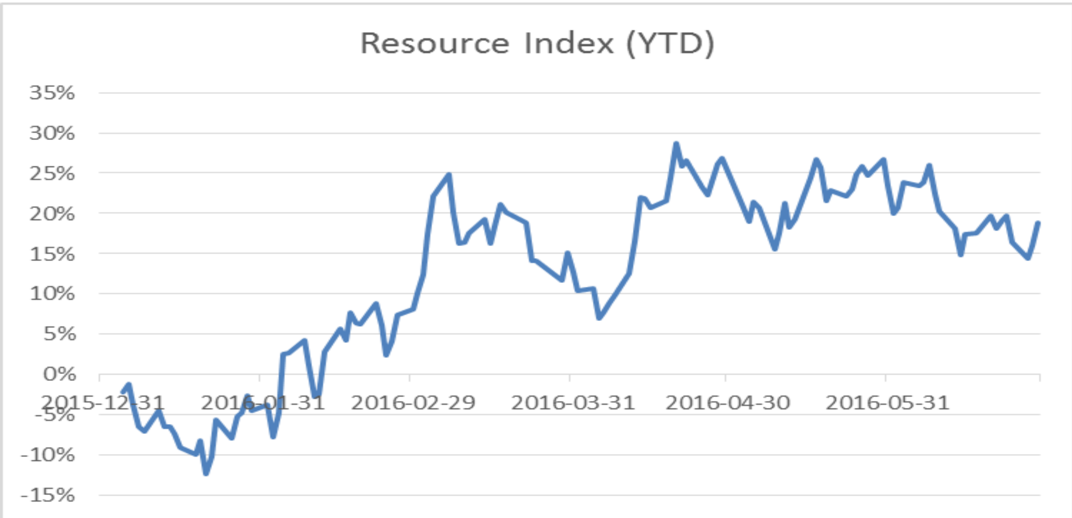
5 Year Holding Period



10 Year Holding Period



Resource shares have suffered over the last number of years with continually decreasing commodity prices and hence poor performance. The above analysis shows not all resource companies are the same even though the market often treats them as such. The cyclical nature of the industry means timing will always be important when investing in these companies, but we believe that by selecting companies with the right approach to capital allocation, where management is able to extract and preserve value, good returns can be achieved over time. We continue to monitor individual companies and the industry's fundamentals to find opportunities within the resource sector.



Source: Bloomberg

Investment Analyst, Patrick Serere walks us through the current affairs in Zimbabwe.

Zimbabwe has 31 medical aid societies, with an estimated 1.2 million people on health insurance out of a population of 14.15 million. Those fortunate to be able to afford health insurance have to decide whether they will take the Medical Aid option or medical insurance alternative. The differences are set out below;

Medical Aid Cover is based on tariff codes and procedures;

- Often has a shortfall due to the difference between the Gazetted Price List and the Medical Association rates which is what healthcare professionals charge;
- Must, by law, cover Prescribed Minimum Benefits;
- Has specified and yearly limits for procedures and health events do not need to be specifically stated;
- Pays in-hospital benefits according to the gazetted Price List limiting benefits as per the plan.

On the other hand **Medical Insurance i**nsures individuals against the risk of incurring certain medical expenses .It is regulated by the long-term Insurance Act. Medical Insurance may be used as a gap cover in conjunction with your medical aid for cover where your medical aid scheme may fall short;

- Protects your financial assets and promotes wellness and health;
- Covers certain accidental injuries such as disability;
- As a result of accidental injury, can cover your salary when you're unable to work;
- Gives you the option of including death and/or funeral cover to your plan;
- Covers health events at fixed or stated amounts paid directly to the member as opposed to a medical service provider; and
- Offers stated benefits and a formulary that may or may not cover Prescribed Minimum Benefits.

Both these alternatives are considered reasonable "nest eggs" for a rainy day in normal circumstances. However the reality on the ground in Zimbabwe suggests that both do not provide the necessary assurance that a policy holder will get the service when in need. In a statement released by the Zimbabwe Medical Association, doctors reaffirmed their earlier position that with effect from July 1, 2016, they will no longer be accepting medical aid cards or medical insurance and will insist on cash upfront payments. Most medical aid societies continue failing to meet their financial obligations to service providers.

Sources within the medical industry say 90 percent of medical aid societies were paying service providers well after the stipulated 60-day period, and for those who were paying they were paying less than the gazetted tariff. Estimates from the association indicate that all health providers, including hospitals, were owed at least $220 million which has been accumulating over the years. To make matters worse the tax authorities continue demanding their tax due on claims that have not been paid straining the cash flows of the health service providers. The problem was necessitated by the increase in tariffs effected by the Health Ministry in 2014, which saw costs of general practitioners going up from US$20 to US$35 a visit which most medical aid societies argued that it was not viable.

Most people now regard a simple visit to doctors and other medical facilities as a dreaded experience as many of them, despite making contributions, some over a number of years, are uncertain whether the money will be enough to meet their expenses. Many individuals who have been unfortunate and require specialist treatment say medical aid has ceased to be an option. So serious innovators in financial products must certainly stand up and engineer a more viable solution for all stakeholders without "shooting" the patient who is struggling.

Snapshot of Medical Costs In the Region ($US)			
	ZIM	SA	
DR CONSULTATION	25-35	17-23	
CT SCAN	550	270	
	ZIM	MALAWI	ZAMBIA
Pint of blood	120	42	50

Source: AllAfrica.com

Economic Research Analyst, Limakatso Lehobo talks about neoliberal orthodoxy as IMF acknowledges its limitations.

While the ill-effects of neoliberal economic policies were experienced first-hand in most third world countries, developed countries were more exposed neoliberal policy failures after the 2008 financial crisis. Neo-liberalism triumphed following the elections of Margaret Thatcher and Ronald Reagan in 1979 and 1980 respectively as they heralded a period of neo-liberal economic policy dominance. After 1980, the US, backed by Britain, sought through a mix of leadership, persuasion and coercion to export neo- liberalization. The IMF was then transformed into a prime agent of neo-liberalization through its Structural Adjustment Programmes (SAPs) that demanded any state that required its assistance with debt repayments to adhere to its policy stipulates. Ultimately, the IMF as well as the World Bank basically determined countries' macro-economic policies, monetary and fiscal policy through the so-called 'Public Expenditure Review'.

Prior to neoliberal policy SAPs, which basically requested countries to among others, cut public spending, increase interest rates, liberalise trade and financial markets, and privatize public companies; most African countries were trapped in a mire of debt as the then policies encouraged borrowing. Then, the World Bank encouraged debt as a catalyst for development. Unfortunately some of the political leaders didn't use the loans to steer economic development rather most mismanaged public funds for private gain. International banks that benefited from investment of oil price increase proceeds lend money to developing countries to finance purchase of products from industrialised countries such that the loans helped stimulate production in the north. However, as the US increased interest rates significantly in order to curb inflation (in the 1980s), Europe soon followed suit such that developing countries that had taken loans with US and European banks were suddenly faced with paying higher interest rates.

Developing countries were therefore unable to settle high loan repayments and were forced to take up new loans to pay interest. However, because of the high interest rates, the debt increased to US$ 1419 billion in 1992 from US$ 567 billion in 1980 – despite the repayments of US$ 1662 billion between 1980 and 1992. This indebtedness paved the way for the IMF and World Bank to coerce countries that needed funding into implementing SAPs. It is worth noting that even countries which were not compelled to implement SAPs such as South Africa and Namibia ended up adopting such policies as World Trade Organization (WTO) also demanded its members to adopt neoliberal policies.

After years of denying limitations of neoliberal policies, the IMF has finally accepted failures of the policies in some regards. The IMF concedes in an article titled "Neoliberalism: oversold?[1]" whose authors include IMF Deputy Director, that neoliberal agenda has not yielded expected results particularly when it comes to capital liberalisation (financial openness) and fiscal consolidation. Assessment by the IMF involving a group of countries indicates that one can't be easily conclude that the policies have led to economic growth. To the contrary, it is easy to establish increase in inequality. Increased inequality is noted to undermine sustainable growth. This is observed in both developing countries such as South Africa and developed including the US.

In addition, the assessment findings indicate that growth benefits from implementing neoliberal policies were uncertain whereas costs in terms of increased economic volatility and crisis frequency seem more evident. They identified approximately 150 surges in capital flows in 50 emerging markets since 1980. Even capital inflows in the form of Foreign Direct Investment (FDI) did not seem to boost long-term growth. This could be attributed to compromises taken by countries to remain competitive. For instance, although Lesotho is one of the key exporters of textile under AGOA, this growth is not sustainable in the long run as the investment is more Brown field than Greenfield implying investors can easily exit the industry when the incentives are removed as companies have not invested much capital in the industry as they are provided with production plants/shells. Similarly, capital flows such as portfolio investment and banking and especially speculative debt inflows seem neither to boost growth nor spread risk.

A move from pure neoliberal stipulates was observed after the 2008 financial crisis as financial institutions didn't wait on markets to correct but sought government intervention through bail outs. Even UK and the US government did not hesitate to nationalise banks in 2008 in order to avoid economic collapse emanating from systemic financial risk. In essence they transitioned from neoliberal ideology to what Richard Sennet terms financial socialism in which governments and central banks support financial institutions out of financial crisis through public funds.

Going forward the IMF is considering officially imposing controls on the international short-term capital flows. This is not necessarily new as IMF endorsed capital controls post financial crisis. How these controls will be imposed and how they will affect financial markets and inflows into Africa is yet to unfold.

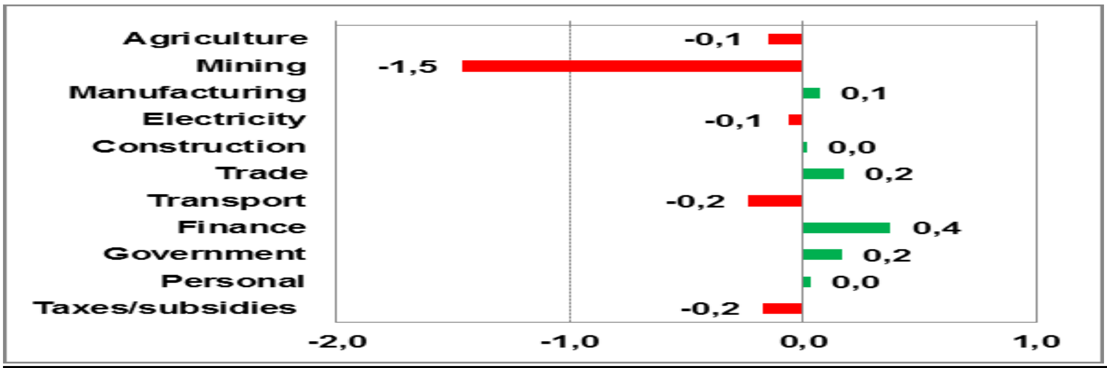
Investment Analyst, Cleopatra Mtembu gives us a view on the retail sector.

High interest rates, tighter monetary policy stance, high existing levels of indebtedness among households and tight lending conditions, has resulted to the 15 year low in business confidence amongst retailers with accordance to the latest EY/Bureau of Economic Research (BER). BER reported that the percentage of retailers that reported satisfaction with prevailing business conditions fell to 26%, down from 44% in the first quarter. This is the lowest level recorded since 2001. In addition, this is even lower than levels recorded during the global financial crisis of 2009.

The sale volume growth for retailers has been weak and that resulted also in the paralysis of retailers to hike their selling prices as expected. The BER survey also reports that durable goods such as furniture, hardware and household appliances - experienced a steep decline; while semi durable goods including footwear and clothing, took a knock because of tighter credit conditions and slowing disposable income growth.

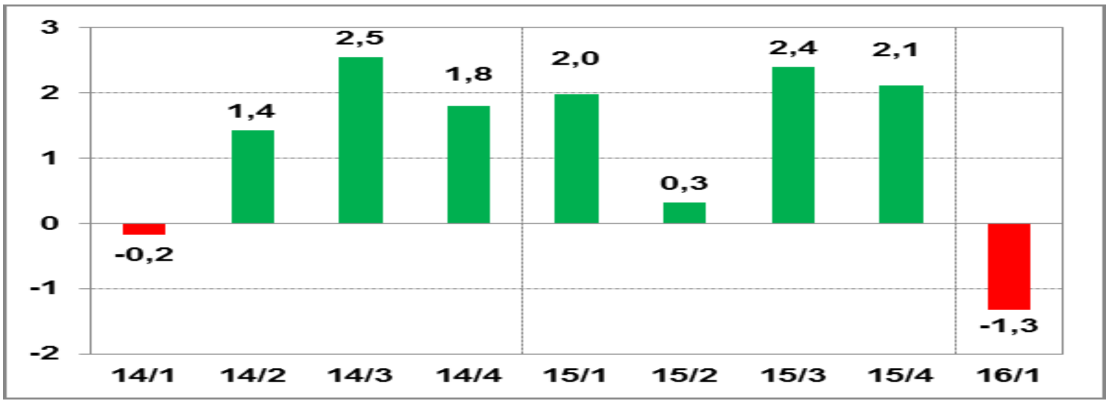
Food prices are on a rise as the Rand weakens against major currencies and this has put much pressure on the nondurable goods Sales. With retail falling under the “trade, catering and accommodation sector”, it consists of about 14% of the GDP, what this therefore tells us, is that the sector has a significant on the GDP. Household consumption expenditure plays a very key role in that the retail sector performance depends on it, which makes up about 60% of GDP.

Contributions to growth in GDP, Q1 2016 (% points)

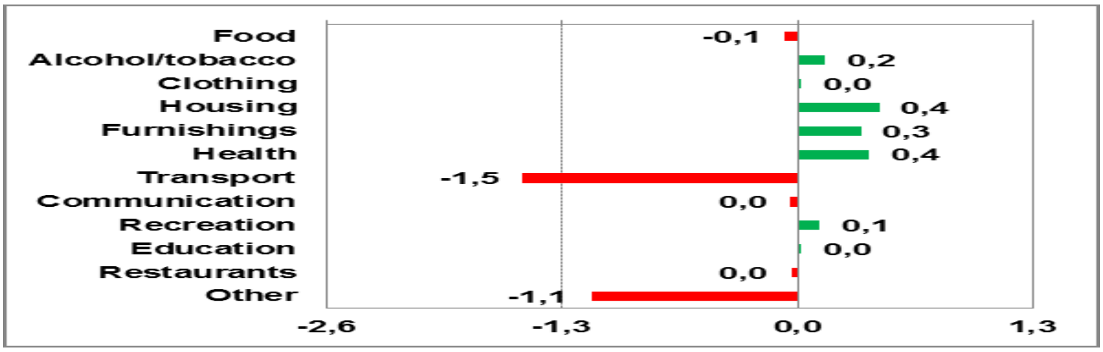


Source: StatsSA

Household final consumption expenditure growth rate (%)



Household final consumption expenditure contributions, Q1 2016 (% points)

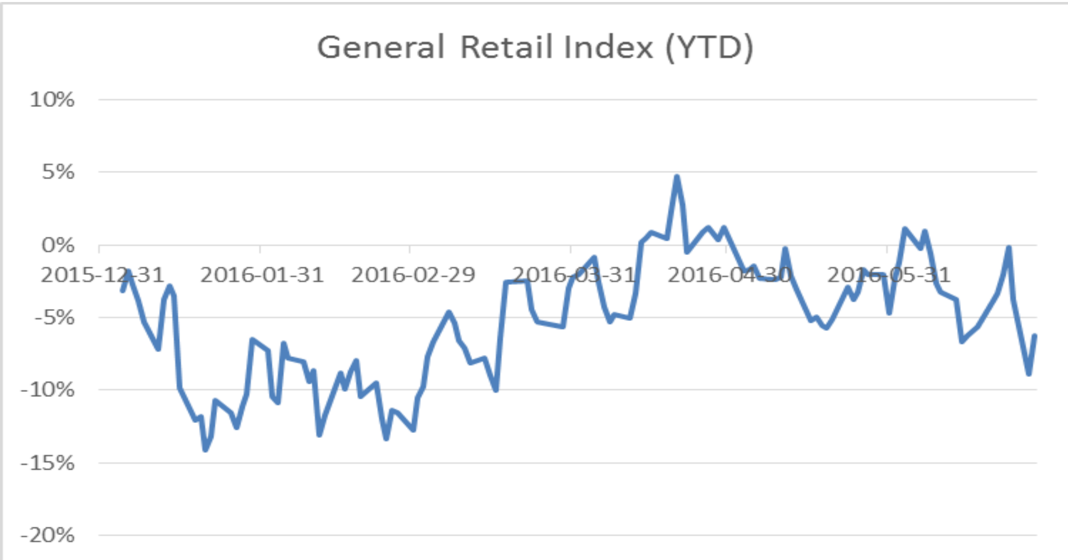


South African Retailers E-Commerce Growth

Online shopping is steadily growing in South Africa even amongst big retailers such as pick n Pay and Mr Price. Both retailers releasing their results in the last quarter Mr Price reported its online local sales growing at 63.6% for the 53 week ended 2 April. Mr Price has reported that the online segment is now generating positive returns and all its MRP brands are now "full Omni-channel retailers". The group saw a growth of over 8% to R19.6 billion in total revenue. Pick n Pay saw its strongest turnover since 2010 on the year end 28 February, where we saw a 38% increase in turnover growth from its e-commerce business, this came through with a stronger range and an improvement in the availability of our product. The store managed to acquire 40000 new online customers in the year 2015.

The Foschini Group being one of the stores to launch its Omni-channel initially with its sports division brands i.e. total sports, due south and Sportscene in the past financial year, which has proved to be successful. Foschini is in plans to launch Foschini cosmetics @Home furniture, Markham and Fabian brands. Woolworths has also reported that its food sales comprise the majority of its local online sales, albeit there is now a stronger growth in clothing and general merchandise. In the 52 weeks to 28 June 2015, Woolworths' Country Road brand's online sales contributed close to 10% of total sales, up from 8% the year before. Woolworths has also reiterated on that it will continue to invest in innovative digital development.

Even with online retail remaining a small market its growth in South Africa is at an undeniable higher rate, having maintained a growth rate of above 20% since the turn of the century. This reported by the World Wide Worx's on it report titled "Online Retail in South Africa 2016". Through research, it has been found that online retail grew 26% in the previous year and worth about R7.5 B. it is expected that the market will grow 20% in the year 2016, summing up to a total of over R9 B. Researchers have reported that for the first time since the introduction of e-commerce in South Africa, online retail will reach 1% of the overall retail during the year 2016. World Wide Worx MD Arthur Goldstuck alludes that while 1% representative of a very small proportion of overall retail; it is also a psychological barrier for investment in e-commerce initiatives by physical retailers. Forecasts by World Wide Worx for the next five years show online retail sales almost exactly doubling from 2016 to 2020.



Source: Bloomberg

Tinotenda Buhera gives a corporate affairs view and an update on the current Social Investment Programmes.

Introducing JM BUSHA 54 RACES for Peace & Unity in Africa (JM BUSHA 54 RACES)

Our ultimate goal is to add value to the lives of people in different, diverse communities through appropriate and acceptable investments as we create new products and opportunities for all stakeholders, and build sustainable business relationships with communities. For us to be successful in this, we believe that citizenry participation in the creation and maintenance of a peaceful, united, equitable, accountable and responsible 'good society' is vital. In a bid to connect all Africans, a platform was established to promote such a society – the inception of **JM BUSHA 54 RACES**.

JM BUSHA 54 RACES is a non-profit organization (NPO), Reg No. 2016/119329/08, registered in the Republic of South Africa. The objectives of **JM BUSHA 54 RACES** are:

- To engage, enrol individuals and institutions as signatories to actively promote and pledge peace, unity, accountability and responsibility at all levels of society and government as tools to create a good society and;

- To raise funds for African Union (AU) peace-keeping missions, crisis management, mediation, conflict resolution and reconciliation work in Africa, and assist other parts of the world.

The vision is to see and have a peaceful, prosperous united people of Africa.

Africa has been riddled with many protests, wars and other disturbances for centuries. There are many dangerous militant groups emerging each year. This is a huge, serious concern to all of us.

The causes of the unrests, discontent, wars and other social ills commonplace in Africa and the world are poverty, hunger, corruption, inequality, economic mismanagement, exploitation of labour and the poor. There is not enough accountability and responsibility at individual, business and government leadership levels. The many scandals that surface so often and the instability in some parts of Africa are enough evidence of that.

The JM BUSHA 54 RACES calls for citizenry participation in the socio-economic development and political governance of countries. It empowers and enables citizens to hold leaders as accountable to the people, to respect the people, to respect and uphold the laws of a country, and take responsibility for their actions.

Individuals, organisations and governments are encouraged to enrol as signatories to the Peace Pledge which reads:

"I am for peace, harmony and unity and commit myself not to be involved in any activity: – corruption, discrimination, banditry, destructive exploitation of another human being and natural resources for selfish gain and will not make any decision that may cause instability, social unrest, poverty and other socio-economic and political problems in the country."

The Peace Pledge will be read by the country's Lead Peace Pledge Ambassador and delivered to the leader of the country on Africa Day, 25th of May each year - as a reminder and commitment to individual and collective responsibility for peace and unity. And as each African country pledges peace, the founding of the AU (then called the Organisation of African Unity - OAU) on 25 May 1963, is celebrated through art, cultural, musical and sporting activities.

The governance of JM BUSHA 54 RACES will be at three levels: - comprising of former African Presidents, respected citizens of high moral integrity and the organisation management:

- The Advisory Board – made up of 14 former African Presidents;
- 54 Lead Peace Pledge Ambassadors – each representing a country as the Lead Peace Pledge Ambassador; and
- Executive management and staff running the day-to-day activities of the NPO.

For more information on the initiative visit www.jmbusha54.com or e-mail info@jmbusha54.com with your inquiries.

JM BUSHA Investment Group

PRODUCT FOCUS: JM BUSHA Real Return Fund

About JM BUSHA Investment Group

JM BUSHA Investment Group (Pty) Limited is a unique, independent, specialist quantitative investment management; investment banking and advisory services company with subsidiary companies in Lesotho, Namibia, Swaziland, South Africa and Zambia.

The Group manages both institutional and retail private clients' funds. With total funds under management approximately equal to **ZAR4.78 billion**, JM BUSHA has a traceable track record in managing funds – since 2001.

About the Product: JM BUSHA Real Return Fund

This Life presents many challenges and opportunities. Central to all is money– *i.e.*, money required to manage one's life. Two questions arise immediately. First, how can money be saved- *e.g.*, for **education**, **housing** and **retirement expenses?** Second, how much should be saved?

The JM BUSHA Real Return Fund, an absolute-return unit trust investment product presents a vehicle for saving money in order to meet future financial needs. You choose what you want to save for!

Product Description

The JM BUSHA Real Return Fund is an actively managed and low risk savings fund fully invested in liquid assets. This is a long-term investment product suitable for any person, association or legal entity

Investment Securities

The fund invests in equities, bonds, money-market instruments, derivatives and other allowable securities. Equities' dividend income improves after tax-free returns.

Product Accessibilty

No minimum investment period is required. Although not advisable, clients can withdraw their investments at any time – that's investment banking for you.

Historical Performance

Table below shows historical returns for the periods indicated, *which are not guaranteed in the future.*

Period ending 30 Jun 2016 (annualised)

Period	JM BUSHA Real Return Fund	Inflation+ 4%
6 month	9,88%	6,26%
1 year	2,96%	10,34%
3 years	6,83%	9,98%
Inception	10,44%	10,30%

TOP EQUITY HOLDINGS

Mediclinic	5,11%	Old Mut	2,92%
Sasol	3,63%	Steinhoff	2,85%
Investec	3,03%	Remgro	2,74%

Product Salient Features

- Target returns :Inflation+4% pa
- Minimum monthly contribution :R300
- Minimum lump sum deposit :R1,000
- Initial fees :0.00
- Exit charges :0.00
- Management fees (incl. VAT) :1.50% pa
- Total Expense Ratio (TER) :1.54% pa
- Income declaration dates :30 Jun / 31 Dec
- Income payment date :07 Jul / 07 Jan
- Launch Date :1 Oct 2006
- Buying price at launch :100 cents
- NAV (CPU) on 30 Jun 16 :138.00
- Fund Size :R18.60 million
- Classification : Domestic AA

Investment Objectives

To produce a real return of 4% pa over 3 year rolling terms

Investment Strategy

As a medium risk balanced fund that seeks real return with capital protection, the strategy is to invest in secure, high yield instruments in order to meet investment objectives on a risk-adjusted basis. The portfolio is managed on a core-satellite approach.

Asset Allocation

Discretionary portfolio structured as a medium risk balanced fund. Asset allocation varies from time to time. Current: Cash **12.49%**, Bonds **34.61%**, Equities **52.91%.**

How to invest?

There are 3 ways to invest:

(1) Direct lump sum deposits,
(2) Monthly automatic debit order,
(3) Lump sum deposits and monthly debit orders.

Banking Details – please see application form.